



## Fiscal Estimate Narratives

DNR 4/3/2009

LRB Number	09-2111/1	Introduction Number	AB-0174	Estimate Type	Original
<b>Description</b> Authorizing sharing of tax increments by certain environmental remediation tax incremental districts					

### Assumptions Used in Arriving at Fiscal Estimate

#### Bill Summary:

Environmental Remediation Tax Incremental Financing is a tool for local governments to pay for environmental remediation and economic development of brownfield properties. This bill would authorize local governments to share tax increments between environmental remediation tax incremental districts within their municipalities.

#### State Fiscal Estimate:

The ER-TIF process is generally self implementing in that the local governments who create the Tax Incremental Districts (TIDs) and prepare the plans, budgets, and other required administrative documents use their own staff and contractors who are paid by the local government. All project costs (environmental cleanup, demolition, etc) are undertaken by the local government or private developers working in partnership with the local government. The state agencies involved with ER-TIF (DNR and DOR) have limited roles. DNR only needs to review and approve technical reports associated with an environmental remediation project and this is work that the Remediation and Redevelopment Program does frequently with existing resources. The DNR does not expect any increase in submittals of reports for review as a result of this law.

#### Local Fiscal Estimate:

There would be a fiscal impact on those municipalities that would utilize this provision and other taxing jurisdictions. Under current law, when all the project costs incurred in a ER-TID have been paid through the increased property taxes (the increment) the ER-TID is closed and then all future property tax revenues go to the City, County, School District, etc. Under this bill, additional increment could go towards another underperforming ER-TID to cover those project costs. As a result, the other jurisdictions would not get that property tax revenue for however many more years it takes to pay the project cost on the underperforming ER-TID. Based on all the unknowns and variables involved, the local cost is indeterminate.

### Long-Range Fiscal Implications

In the long term (as long as 23 years), the cities and the other jurisdictions will benefit from the increased revenues from property taxes on both redevelopment projects that would not have occurred without the ER-TID.

## Fiscal Estimate Worksheet - 2009 Session

Detailed Estimate of Annual Fiscal Effect

☒ Original
 ☐ Updated
 ☐ Corrected
 ☐ Supplemental

LRB Number <b>09-2111/1</b>		Introduction Number <b>AB-0174</b>	
<b>Description</b> Authorizing sharing of tax increments by certain environmental remediation tax incremental districts			
<b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b>			
<b>II. Annualized Costs:</b>		<b>Annualized Fiscal Impact on funds from:</b>	
		Increased Costs	Decreased Costs
<b>A. State Costs by Category</b>			
State Operations - Salaries and Fringes	\$	\$	
(FTE Position Changes)			
State Operations - Other Costs			
Local Assistance			
Aids to Individuals or Organizations			
<b>TOTAL State Costs by Category</b>	<b>\$</b>	<b>\$</b>	
<b>B. State Costs by Source of Funds</b>			
GPR			
FED			
PRO/PRS			
SEG/SEG-S			
<b>III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)</b>			
	Increased Rev	Decreased Rev	
GPR Taxes	\$	\$	
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
<b>TOTAL State Revenues</b>	<b>\$</b>	<b>\$</b>	
<b>NET ANNUALIZED FISCAL IMPACT</b>			
	State	Local	
NET CHANGE IN COSTS	\$	\$	
NET CHANGE IN REVENUE	\$	\$	
<b>Agency/Prepared By</b>		<b>Authorized Signature</b>	<b>Date</b>
DNR/ Joe Polasek (608) 266-2794		Joe Polasek (608) 266-2794	4/3/2009



## Fiscal Estimate Narratives

DOR 4/3/2009

LRB Number	09-2111/1	Introduction Number	AB-0174	Estimate Type	Original
<b>Description</b>					
Authorizing sharing of tax increments by certain environmental remediation tax incremental districts					

### Assumptions Used in Arriving at Fiscal Estimate

Under current law, a city, village, town, or county may create an environmental remediation tax incremental financing (ERTID) district to recover the costs of remediating contaminated property through property taxes levied on increased property value in the district. Similar to regular tax incremental financing districts, a municipality or county must follow certain procedures when creating a ERTID, such as passing a resolution to create the district and submitting the resolution to a joint board of review for approval. In addition, before the Department of Revenue (DOR) may certify a base value for an ERTID, the entity desiring to create the district must submit the following to DOR: (1) a statement that the entity has incurred eligible costs, together with a proposed remediation plan approved by the Department of Natural Resources (DNR) which includes estimates for future eligible costs, a schedule for the design and implementation of the remediation, and a certification from the DNR that they have approved the site investigation report for the affected property; (2) a statement that all taxation jurisdictions which can levy taxes within the proposed ERTID have been notified of the proposal to create the ERTID; and (3) a statement that the entity creating the ERTID has attempted to recover the costs of the environmental remediation from the person(s) responsible for the environmental pollution that is being remediated.

Once the required material has been submitted to DOR, the equalized value of the taxable property at that time becomes the "base value" for the ERTID. Over time, as the ERTID district develops, the equalized value of the district will change. To the extent that the current value is greater than the "base value", the positive difference is referred to as the "value increment". The property taxes levied by all local taxing jurisdictions (municipality, county, school district, technical college, and special districts) on the "value increment", are retained by the entity that created the ERTID to pay the eligible costs of remediating the environmental pollution in the ERTID.

Under current law, the life span of an ERTID is the lesser of the number of years needed to generate sufficient tax increments to pay all eligible cost or 23 years. In addition, no eligible costs may be incurred later than 15 years after DOR certifies the base value of the ERTID.

The bill permits a entity that created two or more ERTIDs to have one or more of them become "donor" ERTIDs. This would be accomplished by the adoption of a resolution that requests DOR to allocate positive tax increments from an ERTID that has recovered all its eligible costs to another ERTID created by the entity that has not recovered all its eligible costs. Tax increments from the donor district would be allowed to continue until the earlier of (a) the recovery of all eligible costs of the recipient district, or (b) 23 years after the creation of the donor district.

DOR is unable to determine the extent to which municipalities and counties may choose to use this provision. Therefore, DOR is unable to estimate how the bill may affect the incremental values and levies of the affected ERTIDs.

DOR administrative costs can be absorbed within existing budgetary authority.

### Long-Range Fiscal Implications